

Trust moves in on Sydney icon

Ben Wilmot

Charter Hall Group could bring the ownership of the \$430 million office tower and car park at Sydney icon No. 1 Martin Place fully into the office fund it took private last year.

The move is under consideration as the fund manager has told investors in its unlisted No. 1 Martin Place Trust (IMPT), which has a 50 per cent stake in the Sydney landmark, that it will present them with options this month on a "possible exit opportunity".

The tower and car park are co-owned by the Charter Hall Office Trust, which Charter Hall took private with the backing of Singapore's GIC Real Estate and the Canadian Public Service Pension Fund last year.

The owners were hit by major tenant Macquarie Group's announcement in 2012 that it would not exercise its option to remain in No. 1 Martin Place at the completion of its existing leases.

The investment bank is shifting to nearby heritage building 48 Martin Place, which it acquired from Commonwealth Bank of Australia, once a revamp is complete.

While law firm DLA Piper has been linked with some space in the tower, Charter Hall has cautioned investors about the difficult state of Sydney's office leasing environment. The group, which declined to comment on Monday, told them that further tenant inquiries and offers were being



No. 1 Martin Place is one of Sydney's best-known addresses. PHOTO: NIC WALKER

assessed. "It is a very competitive leasing market for tenants and this has resulted in increasing leasing incentives needed to attract tenants from existing buildings," Charter Hall said.

The 24-level A-grade office building has flexible floor plans and is one of the best known addresses in the Sydney CBD, but trust investors would face funding costly incentives if they remained invested.

In 2009, their half stake in the tower was offered for sale though CBRE, and attracted around eight bids.

At the time, Singapore's giant GIC Real Estate, which owns the Westin Hotel in the complex, is believed to have come second to another Asian group.

Charter Hall later finalised a \$49 million equity raising for the trust, which runs until next year, meaning it is not under pressure. But property executives noted the difficulty in mounting an effective on-market campaign as Charter Hall Office Trust holds pre-emptive rights. The \$2.1 billion fund is also seen as better positioned to absorb the cost of funding high incentives to fill the tower.

Lane Cove block sells for \$12.7m

Ben Wilmot and Ainslie Chandler

Boutique property fund manager Quintessential Equity has bought an office building in Sydney's Lane Cove from global investment giant BlackRock for just over \$12.7 million.

The price on the three-level 166 Epping Road property represents a passing yield of 13.5 per cent, rising to 17.6 per cent fully let.

The 7129 square metre asset is 80 per cent let to Nielsen Television Audience Measurement and Covidien Pty Ltd.

Quintessential Equity's director Shane Quinn said the purchase was an opportune play on value in the Sydney suburban office market, but added it could be converted to residential use.

The sale was brokered by David Bolt of Hartigan Bolt and Michael Fenton and Bob Hird of Jones Lang LaSalle.

Lane Cove's residential market has been running hot. Harry Triguboff's Meriton last Thursday bought a service station in the area from Bob Rose's Rose Group for \$39 million. CBRE's Matt Ramsay and Scott Gray-Spencer brokered that deal.

Privity Property Group also snapped up a high-rise site in Lane Cove from listed Desane Group Holdings and its partners for over \$40 million.